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SENSITIVE
SIPDIS

H FOR SENATOR MCCONNELL; NEA/ELA FOR CANEDO

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TAGS: [OREP](#) [MCCONNELL](#) [PGOV](#) [ECON](#) [KPAL](#) [EG](#) [IS](#)

SUBJECT: SCENESETTER FOR CODEL MCCONNELL'S VISIT TO CAIRO

11. SUMMARY: (SBU) Senator McConnell, welcome to Egypt. Your visit comes as Egypt continues its efforts to mediate a permanent cease-fire between Israel and Hamas, to facilitate intra-Palestinian negotiations to form a new, interim government, and to stop the smuggling of arms into Gaza. The U.S., European countries, and regional governments are working to create security arrangements that would improve the flow of humanitarian assistance to Gaza. Many Egyptians see the new U.S. administration as a cause for cautious optimism in both the bilateral relationship and in U.S. engagement with the region. Senator George Mitchell has visited Egypt and the region as U.S. Special Envoy for Middle East Peace twice and will likely return to Cairo in April. Your visit will fall on the anniversary of the April 6, 2008 nation-wide strike protesting political and economic conditions. At least one opposition group has called for another April 6 strike this year. We have requested meetings for you with President Mubarak, intelligence chief General Omar Soliman, Foreign Minister Ahmed Aboul Gheit, and Defense Minister Tantawi, as well as a visit to the Egypt-Gaza border at Rafah. End summary.

Israel-Palestine

12. (SBU) The election of President Obama generated much optimism in Egypt and hopes that the new administration would quickly focus on problems in the Middle East. In particular, the Egyptian leadership wants the U.S. to urgently address the Israeli-Palestinian conflict, and Senator Mitchell has assured them that the Administration will press hard for progress. The Egyptians have traditionally served as an intermediary between us, the Israelis, and the Palestinians. Since the January 2008 Hamas breach of the Egypt-Gaza border, the Egyptian role has shifted to focus on intra-Palestinian reconciliation and the establishment of a lasting Hamas-Israel cease-fire. EGIS Chief Soliman has worked to cement a Israeli-Hamas cease-fire but believes he was badly undercut by the Israeli introduction of the release of IDF Corporal Gilad Shalit as a new pre-condition for the cease-fire. For the moment, rocket strikes from Gaza are relatively low in frequency.

13. (SBU) The Egyptians believe that Palestinian reconciliation is a prerequisite to delivery of the approximately \$5 billion in Gaza reconstruction assistance pledged at the March 2 Sharm El Sheikh conference. Neither the Egyptians, nor the international community can work with Hamas as a partner on security, political or economic reconstruction issues; Rafah crossings will remain closed until the Palestinian Authority returns to operate the Gaza side of the crossing for normal business. However, the Egyptians periodically open their side of the border for humanitarian and emergency medical cases. The Egyptians will tell you that limiting movement in and out of Gaza is necessary, but will urge that you impress upon the Israelis

the need to maintain adequate humanitarian inflows to Gaza. The Egyptian government will stress that opening up for legitimate trade and forging effective measures against smuggling should go hand-in-hand. Public opinion however remains deeply angered by the Gaza "siege" and is eager to see if the new administration will push to allow normal commerce to flow into Gaza. The Egyptian public is also anxious to see how the U.S. will deal with the new Israeli government and the expansion of settlements.

14. (SBU) Egyptian security forces continue to improve counter-smuggling efforts along the Gaza border and further afield, through increasing their security presence in northern Sinai and giving greater focus to preventing weapons from entering the Sinai. Egyptian officials claim to have identified and sealed over 100 tunnels since the beginning of the year, with new discoveries occurring daily. Recently arrived U.S.- supplied counter-smuggling equipment - once installed and fully operational - could help improve Egypt's ability to fully exploit the tunnels and break up smuggling rings. The government has requested additional border security assistance and we are currently exploring ways to provide the requested assistance. Long-term success, however, depends on removing the economic incentives driving smuggling on both sides of the border.

Other Regional Issues

15. (SBU) Egypt has shown increasing confidence that Iraq has turned the corner, although concerns remain that the Shi'a-led government is prone to Iranian influence. An Iraqi delegation recently visited Cairo for consultations on how to reestablish Iraqi-Egyptian economic and political ties. Foreign Minister Aboul Gheit visited Baghdad in October 2008 (the first such visit in over 18 years) and is moving forward to reopen Egypt's embassy in Baghdad. On Iran, Egypt is concerned by rising Iranian influence in the region, has supported UN sanctions, and is increasingly active on countering Iran, e.g. in Gaza and to some extent in Lebanon, working with Saudi Arabia and other Arab states to support Lebanese political and territorial sovereignty. Egypt has deployed peacekeeping troops to the UN Mission in Darfur, just agreed to send troops to the UN Mission in Congo and is taking a greater role within the African Union on regional security and political issues. President Mubarak met Sudanese President Omar Bashir on March 25 in Cairo, reportedly to discuss the Darfur conflict. Egypt hosts a large population of Sudanese refugees and is deeply concerned that continuing instability in Sudan will pose a threat to its own security, compromise its access to Nile water, and increase the flow of refugees. Consequently, Egypt opposes the International Criminal Court's issuance of an arrest warrant for Bashir.

Internal Politics and Economics

16. (SBU) We continue to promote democratic reform in Egypt, including the expansion of political freedom and pluralism, and respect for human rights. Egyptian democracy and human rights efforts, however, are being stymied, and the GoE remains skeptical of our role in democracy promotion, complaining that any efforts to open up will result in empowering the Muslim Brotherhood, which currently holds 86 seats in Egypt's 454-seat parliament. An ongoing challenge remains balancing our security interests with our democracy promotion efforts. On April 6, 2008, a new opposition group calling for political and economic reforms organized a strike through "Facebook" that noticeably quieted the streets of Cairo. The opposition group is calling for a similar April 6 strike this year. The April 6, 2008 strike coincided with a separate labor action in the Delta industrial city of Mahalla that led to violent, fatal clashes between police and protesters.

¶7. (U) Economic reform is ongoing although Egypt still suffers from widespread poverty affecting 35-40% of the population. Reforms in trade and tax policy, financial reform, privatization and increased transparency have led to 6-7% economic growth over the past three years. Foreign investment increased from around \$3 billion in 2005 to \$11 billion in the last year, mostly in the petroleum sector, though growth in foreign investment appears to be dropping off. Despite this success, significant problems remain, including high inflation, high levels of poverty, and unemployment, and endemic corruption. Egyptian-U.S. trade has more than doubled in the last four years, reaching almost \$9 billion in 2008. The U.S. exports to Egypt about twice as much as it imports. Egyptian banks operate very conservatively and have been spared involvement in risky financial products, but the effects of the global economic crisis on Egypt are beginning to be felt. As the global credit crunch worsens, Egypt remains vulnerable as exports, Suez Canal revenues, tourism, and remittances -- its largest sources of revenue -- are all down and likely to continue to fall. The Egyptian government viewed the reduction in Economic Support Funds (ESF) by half to \$200 million in FY2009 as an affront, and has high expectations that the new administration and Congress will approve higher levels in FY2010. The Ambassador and USAID Mission Director have emphasized the impact of the ongoing financial crisis on budget discussions in the U.S.

¶8. (SBU) We continue to stress the importance of advancing military to military cooperation, long a cornerstone of the U.S. - Egyptian relationship. Security agreements, a revamped exercise program, establishing shared objectives, and interoperability are a few areas where we are seeking to strengthen the relationship.

SUGGESTED TALKING POINTS

¶9. (SBU) President Mubarak: President Mubarak will emphasize his concerns about Iran's influence in the region and ask the U.S. to work closely with Egypt and other moderates in the region before it moves to engage Iran directly.

--Thank Egypt for its leadership in facilitating a cease-fire between Israel and Hamas, seek the president's opinion on next steps for the Palestinian Unity government and the reconstruction of Gaza.

--Thank the President for Egypt's progress in preventing the smuggling of weapons into Gaza. What more can the U.S. do to support Egypt in counter-smuggling efforts?

--Seek his opinion on the security situation in Iraq and next steps for enhancing cooperation between Iraq and its Arab neighbors.

--Thank the President for deploying peacekeeping troops and doctors to the UN Mission in Darfur, and to the peacekeeping mission in Congo, and ask for his assessment of recent developments in Sudan.

¶10. (SBU) Visit to Rafah:

--Thank Ministry of Defense officials for frontline efforts to combat smuggling.

--Seek current assessment of smuggling problem and economic impact of Egypt's increased counter smuggling efforts on Bedouin and other communities in the Sinai.

--Inquire about status of FMF-funded tunnel detection program.
--Inquire about tunnel exploitation and remediation efforts.

¶11. (SBU) EGIS General Omar Soliman: General Soliman leads Egypt's mediation efforts between Israel and Hamas, and amongst Palestinian factions. He will likely express his frustration that Israeli Prime Minister Olmert tied the ceasefire and further prisoner exchanges between Israel and Hamas to the release of kidnapped Israeli soldier Gilad Shalit.

--Thank General Soliman for his work in mediating between

Israel and Hamas, and seek his assessment of current intra-Palestinian negotiations.
--Express appreciation for excellent intelligence cooperation and reaffirm U.S. commitment to Egypt's security.

¶12. (SBU) Foreign Minister Ahmed Aboul Gheit: Economic Support Funds (ESF) to Egypt were cut in half in FY2009 to \$200 million. Minister Aboul Gheit is likely to lament what he feels was a "unilateral" cut in aid and his hope that Congress will increase ESF levels in 2010.

--Thank him for Egypt's leadership role in the region.
--Note that ESF is an important symbol of cooperation between Egypt and the U.S. and we are keen to move forward to resolve problems relating to FY2009 ESF.

¶13. (SBU) Defense Minister Tantawi:

--Thank Field Marshal Tantawi for Egypt's heightened efforts to combat arms smuggling to Gaza.
--Stress the importance of accelerating implementation of the FMF-funded tunnel detection program.
--Inquire about any additional border security assistance the USG could provide.
--Thank Tantawi for contributing peacekeeping troops to the UN Peacekeeping Mission in Darfur and Congo.
--Seek his thoughts on tunnel remediation and exploitation.
--Inquire about current and future prospects for increased U.S.-Egyptian interoperability.
SCOBAY